

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 CAB-02 CIAE-00 DODE-00

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AMEMBASSY ABU DHABI

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AMEMBASSY DOHA

AMEMBASSYHXIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: EAIR, BEXP, MU, KU

SUBJECT: GULF CARGO AIRLINE

BEIRUT FOR RCAA

1. IN RECENT CONVERSATION WITH EMBOFF, DIRECTOR GENERAL OF CIVIL AVIATION SALIM NASSIR EXPRESSED GENERALLY NEGATIVE VIEWS ON PROSPECTS FOR A GULF CARGO AIRLINE. HE BELIEVED THAT A CARGO LINE FORMED BY THE GULF STATES WOULD BE UNECONOMICAL AND UNABLE TO COMPETE WITH CHARTER AIR FREIGHT SERVICE. REMARKING THAT THE CARGO LINE PROJECT SEEMED MAINLY SPONSORED BY THE KUWAITIS FOR POLITICAL REASONS, NASSIR STATED THAT THE OMANGOV WILL NOT SUPPORT THE FORMATION OF A CARGO AIRLINE AT FUTURE MEETINGS.

2. ACCORDING TO NASSIR, PRIVATE INTERNATIONAL CARGO AIRLINES CAN PROVIDE CHARTER SERVICE TO THE GULF AT A 50 PERCENT DIS-

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COUNT BELOW STANDARD RATES BECAUSE OF THEIR MINIMUM OVERHEAD

AND LEAN PERSONNEL STRUCTURE. THE CHARTER LINES COULD EASILY DROP THEIR RATES SUFFICIENTLY TO KEEP MOST OF THE MARKET, AND A GOVERNMENT SUBSIDIZED GULF CARGO AIRLINE COULD NOT MATCH THEM. ANY ATTEMPT BY THE OMANGOV TO INDUCE LOCAL BUSINESSMEN TO MAKE MORE USE OF A GULF CARGO AIRLINE WOULD BE CIRCUMVENTED. EVEN IF THE OMANGOV WAS SUCCESSFUL IN DIRECTING CARGO TRAFFIC TO THE GULF LINE, IT WOULD ADD TO LOCAL INFLATION BY SHARPLY INCREASING THE COSTS OF IMPORTED GOODS.

3. SALIM NASSIR WAS CRITICAL OF THE BOOZ ALLEN FEASIBILITY STUDY FOR GIVING AN OVERLY OPTIMISTIC PICTURE OF THE ECONOMIC VIABILITY OF A GULF CARGO AIRLINE. HE BELIEVED THAT THE CONSULTANTS' STUDY DID NOT ADEQUATELY REFLECT FUTURE AIRCRAFT COSTS, FREIGHT RATES, AND GROWING INFLATION IN THE GULF STATES.
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